



# Transportation Revenue Options Study

Presentation to the Governor's Transportation Summit  
April 5, 2007

# Comparison of State and Local System Revenues and Needs through FY 2030

Billions of 2008 Constant Dollars

Needs	Costs	Revenues	Shortfall
Sustaining the State System	\$89	\$24	\$65
Sustaining Local Roads, Airports, and Transit	\$75	\$50	\$25
Expanding the State System	\$40	\$0	\$40
Expanding Local Roads, Airports, and Transit	\$33	\$0	\$33
<b><i>TOTAL</i></b>	<b>\$237</b>	<b>\$74</b>	<b>\$163</b>



# Revenue Options

Analysis of 15 options organized into 3 categories:

- User Related, 7 Options
- General Tax Increases, 4 Options
- Other Options, 4 Options

Note: Estimates for all options are presented in 2008 constant dollars



# 7 User-Related Revenue Options

- Increase the Fuel Tax by One Cent
- Index the Fuel Tax to Inflation
- Impose the State Sales Tax on Motor Fuel Purchases
- Increase the Motor Vehicle Registration Fee
- Impose One Cent per Mile Tax on VMT
- Increase the Sales Tax Rate on Vehicles and Vehicle Parts
- Extend the Sales Tax to Vehicle Repair Services



# Increase the Fuel Tax

**Description of Option:** Increases the current motor fuel tax of 22¢ per gallon on gasoline and 20.5¢ per gallon on diesel fuel by 1¢ per gallon.

## Raises:

- \$27 Million in 1<sup>st</sup> full year
- \$169 Million cumulatively by 2015
- \$518 Million cumulatively by 2030

## Perspectives:

- To raise \$1 Billion by 2015, a 5.9¢ per gallon tax increase is necessary
- 5.9¢ per gallon tax increase would raise \$3.1 Billion by 2030
- Annual collections from the tax increase are expected to decline by 20% by 2030





# Index the Fuel Tax to Inflation

**Description of Option:** Indexes the motor fuel tax rate to the yearly increase in the Denver/Boulder/Greeley Consumer Price Index

## Raises:

- \$23 Million in 1<sup>st</sup> full year
- \$453 Million cumulatively by 2015
- \$4,582 Million cumulatively by 2030

## Perspectives:

- Gasoline tax rates would increase by 0.7¢ per gallon in the first year
- Over \$1 Billion would be raised cumulatively by FY 2019
- Gasoline tax rates would increase by 19.7¢ per gallon by FY 2030
- Annual collections from the tax increase are expected to increase 17-fold by FY 2030



# Impose State Sales Tax on Fuel Purchases

**Description of Option:** In addition to the state motor fuel tax, imposes the 2.9% state sales tax on the retail price of motor fuels

## Raises:

- \$178 Million in 1<sup>st</sup> full year
- \$1,215 Million cumulatively by 2015
- \$4,657 Million cumulatively by 2030

## Perspectives:

- At a \$2.00 per gallon retail price, the 2.9% sales tax is equivalent to a 5.8¢ per gallon increase
- Over \$1 Billion would be raised cumulatively by FY 2014
- Annual collections are expected to increase by 45% by FY 2030



# Impose One Cent per Mile Tax on VMT

**Description of Option:** Imposes a tax of 1¢ on each mile traveled by each vehicle within Colorado

## Raises:

- \$439 Million in 1<sup>st</sup> full year
- \$2,783 Million cumulatively by 2015
- \$8,570 Million cumulatively by 2030

## Perspectives:

- No other state imposes a VMT tax, although Oregon is conducting a pilot program to test the concept
- Over \$1 Billion would be raised cumulatively during FY 2011
- Annual collections from are expected to decrease by 18% by FY 2030





# Increase the Motor Vehicle Registration Fee

**Description of Option:** Increases motor vehicle registration fees by \$1 across the board for all categories

## **Raises:**

- \$5 Million in 1<sup>st</sup> full year
- \$32 Million cumulatively by 2015
- \$96 Million cumulatively by 2030

## **Perspectives:**

- The average motor vehicle in Colorado pays approximately \$26.60 per year in registration fees, so the \$1 increase is a 3.8% increase on average
- \$1 Billion would not be raised cumulatively during the forecast horizon
- Annual collections are expected to decline by nearly 21% by FY 2030



# Increase the Sales Tax Rate on Vehicles and Vehicle Parts

**Description of Option:** Increases the state sales tax on sales of motor vehicles and motor vehicle parts by 1 percentage point

## Raises:

- \$88 Million in 1<sup>st</sup> full year
- \$609 Million cumulatively by 2015
- \$2,479 Million cumulatively by 2030

## Perspectives:

- State sales tax on these items is estimated to have raised \$237 million in 2005.
- \$1 Billion would be raised cumulatively by FY 2019
- Annual collections are expected to increase by 67% by FY 2030



# Extend the Sales Tax to Vehicle Repair Services

**Description of Option:** Imposes the 2.9% state sales tax on motor vehicle repair services – the labor portion of a vehicle repair bill

## Raises:

- \$38 Million in 1<sup>st</sup> full year
- \$250 Million cumulatively by 2015
- \$868 Million cumulatively by 2030

## Perspectives:

- Currently, only charges for vehicle repair parts are subject to the sales tax in Colorado, and labor charges are exempt
- \$1 Billion would be raised cumulatively by FY 2034
- Annual collections are expected to increase by 13% by FY 2030



## 4 General Tax Increase Options

- Increase the General Sales Tax Rate
- Increase the Income Tax Rate
- Statewide Property Tax of One Mill
- Impose Lodger's and Vehicle Rental Tax



# Increase the General Sales Tax Rate

**Description of Option:** Increases the 2.9% state sales and use tax rate by 0.1 percentage point

## Raises:

- \$89 Million in 1<sup>st</sup> full year
- \$621 Million cumulatively by 2015
- \$2,655 Million cumulatively by 2030

## Perspectives:

- As a percentage of personal income, Colorado's state sales taxes ranked 44<sup>th</sup> in the US, local government sales taxes ranked 3<sup>rd</sup>, and combined state and local sales taxes ranked 27<sup>th</sup> in 2003-04
- \$1 Billion would be raised cumulatively by FY 2019
- Annual collections are expected to increase by 89% by FY 2030





# Increase the Income Tax Rate

**Description of Option:** Increases the current 4.63% state income tax on individuals and corporations by 0.1 percentage point

## **Raises:**

- \$129 Million in 1<sup>st</sup> full year
- \$933 Million cumulatively by 2015
- \$4,829 Million cumulatively by 2030

## **Perspectives:**

- As a percentage of personal income, Colorado's income taxes rank 30<sup>th</sup> out of the 43 states levying an individual income tax, and 42<sup>nd</sup> out of 46 states levying a corporate income tax
- \$1 Billion would be raised cumulatively by FY 2016
- Annual collections are expected to increase by 186% by FY 2030



# Statewide Property Tax of One Mill

**Description of Option:** Imposes a levy of 1 mill on all taxable assessed valuation in the state

## Raises:

- \$84 Million in 1<sup>st</sup> full year
- \$558 Million cumulatively by 2015
- \$2,058 Million cumulatively by 2030

## Perspectives:

- Only local governments in Colorado currently levy the property tax – the state mill levy was repealed approximately 40 years ago
- \$1 Billion would be raised cumulatively by FY 2020
- Annual collections are expected to increase by 31% by FY 2030



# Impose Lodger's and Vehicle Rental Tax

**Description of Option:** Increases the state sales tax by 1 percentage point on tourist related lodging and vehicle rentals

## Raises:

- \$37 Million in 1<sup>st</sup> full year
- \$241 Million cumulatively by 2015
- \$908 Million cumulatively by 2030

## Perspectives:

- Currently, lodging and vehicle rentals are subject to the state 2.9% sales tax – a previous similar tourism promotion tax expired in 1992
- \$1 Billion would be raised cumulatively by FY 2032
- Annual collections are expected to increase by 30% by FY 2030



## 4 “Other” Revenue Options

- An increase in the severance tax.
- Establishment of a weight-distance tax on trucks.
- Asking the voters to approve a subsequent retention of revenue upon the expiration of the Referendum C revenue change and dedicate the retained revenues to transportation.
- Local funding options – Impact Fees

None of these options were forecast



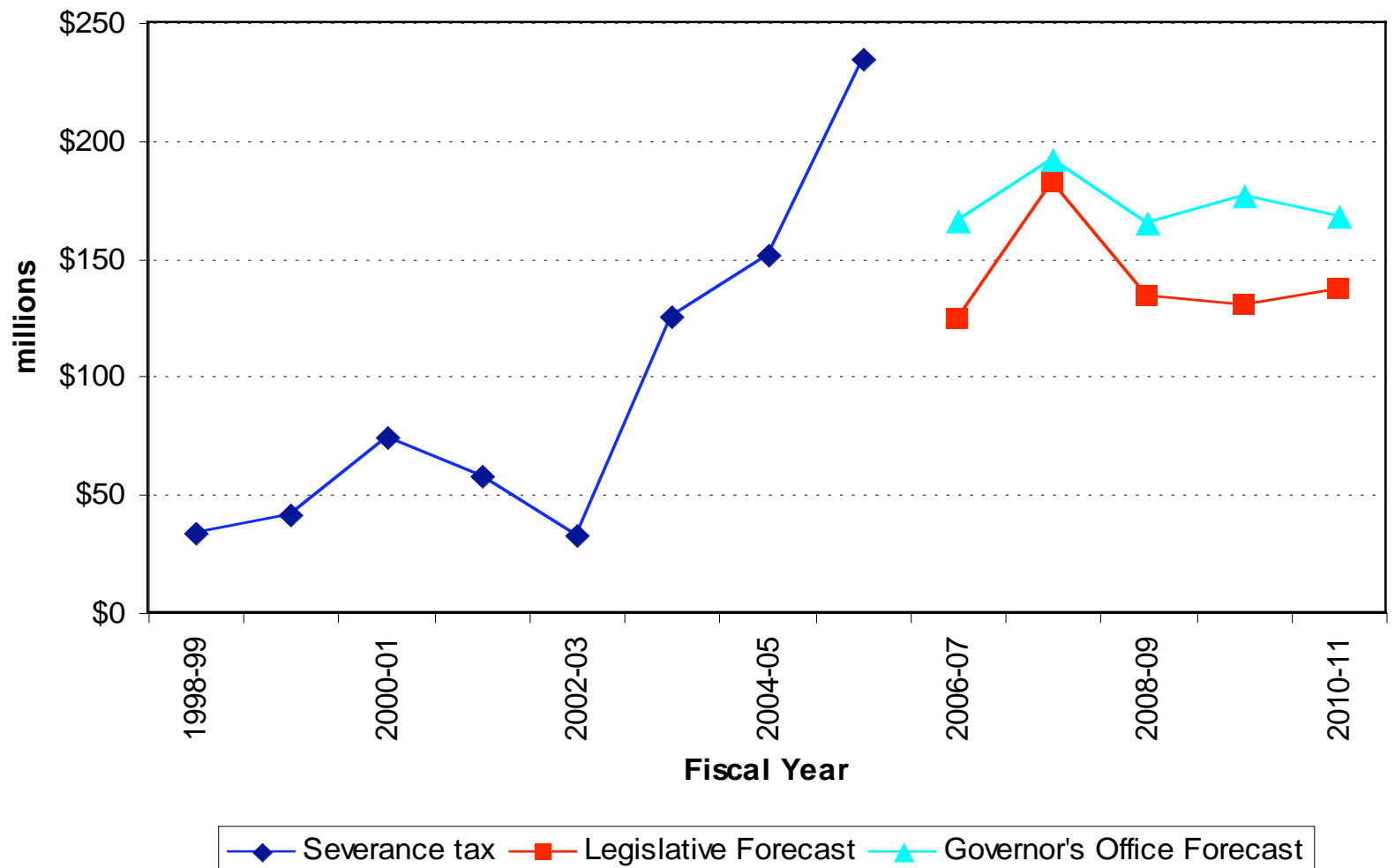
# Increase the Severance Tax

- Severance tax receipts price sensitive and, especially for oil and gas, highly volatile
- Energy companies allowed a tax credit to offset 87.5% of property taxes
- Because of volatility, severance tax forecasts extremely unreliable





# Severance Tax Revenues and Forecasts



# Impose Weight - Distance Tax

- Colorado had weight – distance tax
  - Gross Ton - Mile tax
  - Repealed in 1989
  - Replaced with increased truck registration fees
- Repeal Factors
  - Complexity
  - Administrative and enforcement problems
- 4 states currently have weight – distance tax
- Revenues raised by re-imposition of a weight - distance tax would depend on tax structure



# Retain TABOR Surplus Revenue and Earmark for Transportation

- Referendum C expires in 2011
- Expect future TABOR surpluses, but timing is unknown
- Forecasting the surpluses complex
  - All General Fund and cash fund revenues
  - Economic and population data
- Previous forecasts of this type have been problematic.

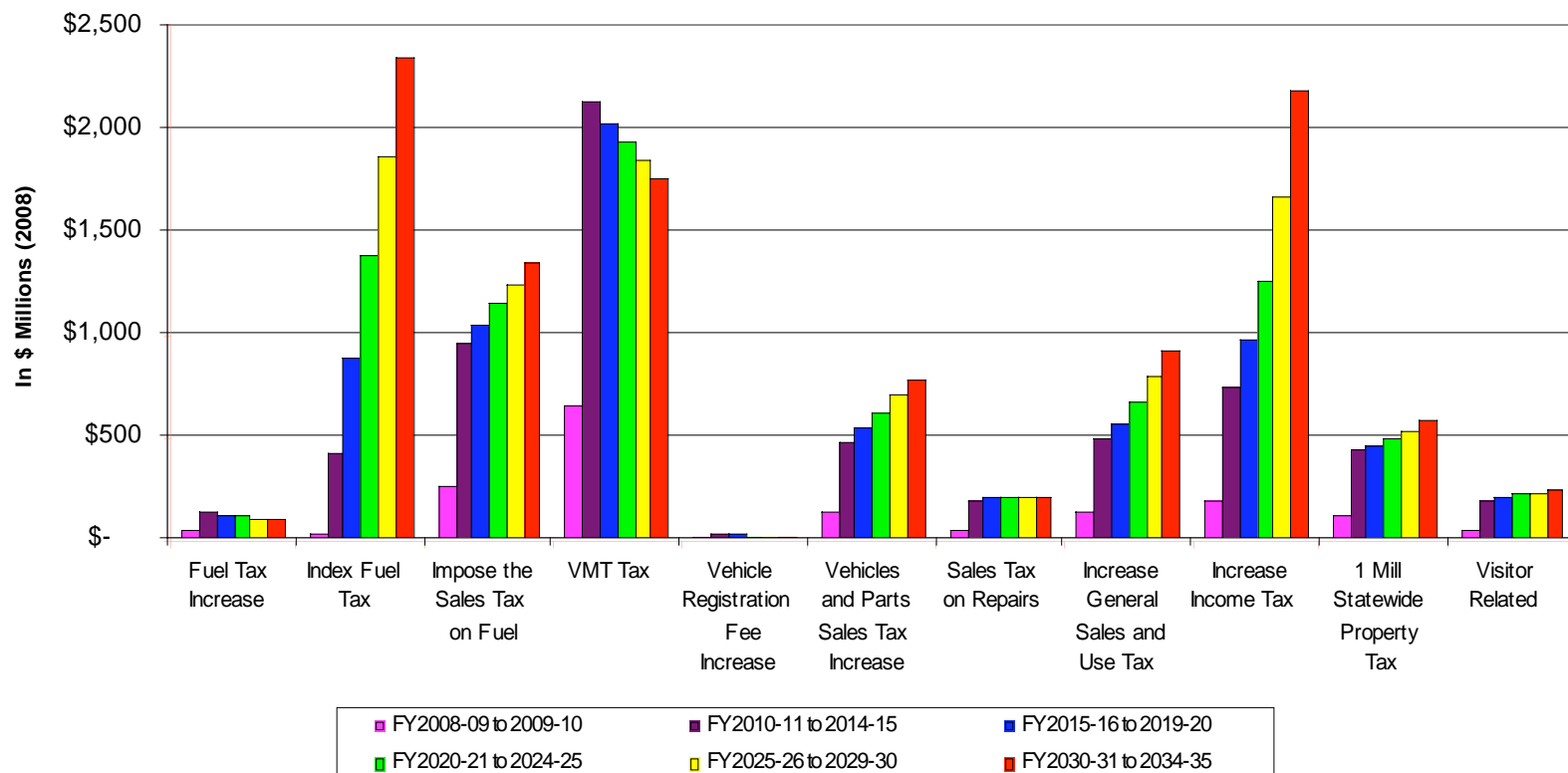


# Local Funding Options – Impact Fees

- Used increasingly by local governments
- Must be imposed on new growth
- Fund growth-related capital needs including transportation improvements
- Case law requires nexus between the fees and the reasonable cost of growth-related improvements
- State use of such fees may be legally and administratively difficult



# Relative Contribution From Modeled Increase





# Rate Necessary to Raise \$1 Billion by 2015

(in 2008 Constant Dollars)

Option	Current Rate	Total Rate After Increase
Fuel Tax Increase	Gasoline - 22¢ per gal Diesel - 20.5¢ per gal	Gas 27.9¢ per gal Diesel 26.4¢ per gal
Sales Tax on Fuel	Not Charged	2.39%
VMT	Not Charged	.036 Cents per Mile
Registration Surchage	Varies	\$31.25/Reg. Additional
Vehicle, Parts Sales Tax Increase	2.9%	4.54%



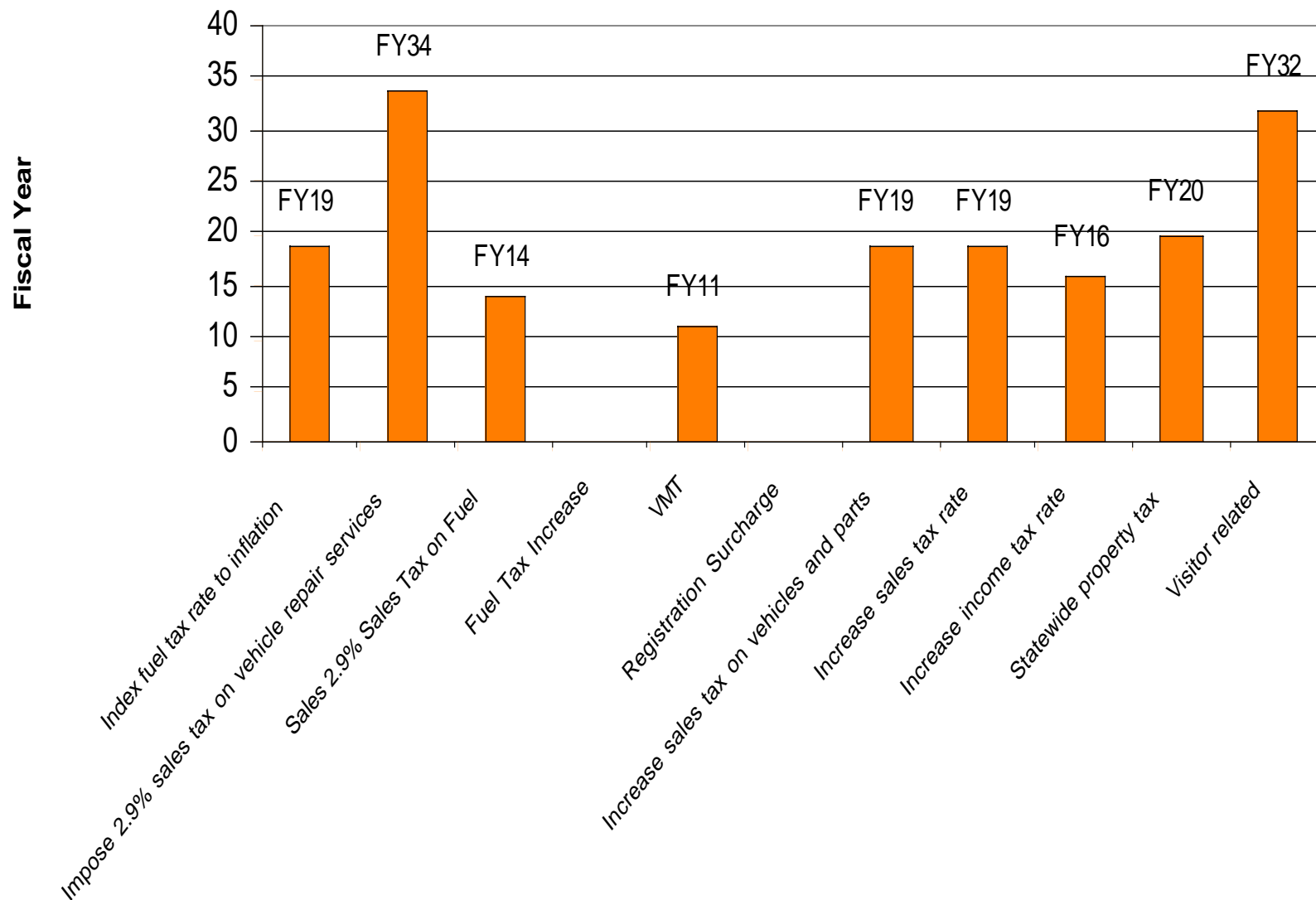
# Rate Necessary to Raise \$1 Billion by 2015

(in 2008 Constant Dollars)

Option	Current Rate	Total Rate After Increase
Increase Sales Tax	2.9%	3.061%
Increase Income Tax	4.63%	4.74%
Statewide Prop. Tax	Varies Locally, Currently No Statewide Tax	1.792 Mills Additional
Visitor Related Taxes	2.9%	6.24%
Sales Tax on Repair Services	Not Charged	11.60%



# When Modeled Increment Raises \$1B



Note: For options without year, \$1B is not raised by 2035 at modeled increment



# For Further Information

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